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Message Text

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62
ORIGIN EA-06

INFO OCT-01 ISO-00 EB-03 L-01 INR-05 SP-02 SS-14 RSC-01

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DRAFTED BY EA/PHL:RTWILLNER:SPB
APPROVED BY EA/PHL:EHULEN
EA:LEDMOND
EB/FTD:AJWILLIAMS
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R 082044Z JAN 75
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 004070

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LIMDIS

E.O. 11652: GDS
TAGS: ETRD, RP
SUBJECT: COTTON CONTRACTS

REF: MANILA 108

1. A PHILIPPINE TEXTILE OWNER, A WELL-ESTABLISHED INDUS-
TRIALIST OF GOOD REPUTATION, HAS INFORMED DEPARTMENT OF
MEASURES BEING TAKEN BY PHILIPPINE COTTON MILLS TO AVOID
COMPLIANCE WITH OUTSTANDING CONTRACTS. HE DESCRIBED
MEETING IN DECEMBER IN WHICH MILL OWNERS DETERMINED TO
CONTINUE REFUSAL TO OPEN LETTERS OF CREDIT AND URGED
TRADERS TO MAKE COMPROMISE OFFERS ON PRICE. HE ALSO
CONFIRMED THAT SOME MILLS, WHICH DO NOT HAVE OUTSTANDING
CONTRACTS, ARE NOW BUYING COTTON AT CURRENT PRICES FOR
DELIVERY TO AFFILIATED MILLS THAT ARE BARRED FROM IM-
PORTS BY GOP. SOURCE DISCOUNTED INDICATIONS THAT GOP
SEEKING TO HELP ENFORCE CONTRACTS AND FINALLY DISCLOSED
THAT DBP ITSELF HAD ADVISED COTTON MILLS NOT RPT NOT TO
HONOR CONTRACTS UNTIL PRICES LOWERED. UNDER THESE CIR-
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CUMSTANCES SOURCE STRESSED THAT HE WOULD BE UNDER GREAT

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PRESSURE, NOT ONLY FROM COMPETITORS BUT FROM GOVERNMENT AGENCIES AS WELL, TO WITHHOLD OPENING LC'S. HE ALSO EXPRESSED SERIOUS CONCERN OVER CONFIDENTIALITY OF HIS INFORMATION WOULD PROBABLY BE TRACED TO HIM SINCE HIS VISIT TO U.S. IS WELL KNOWN.

2. THIS INFORMATION RECEIVED AT A TIME WHEN PRESSURES FROM U.S. COTTON INDUSTRY ARE MOUNTING, AS ARE QUANTITIES INVOLVED IN OVERDUE CONTRACTS. AS INDICATED IN EARLIER MESSAGES THIS PROBLEM IS INTERNATIONAL IN SCOPE, INVOLVING PURCHASES IN FOUR ASIAN COUNTRIES, WHERE BUYERS APPEAR TO BE REINFORCING ONE ANOTHER IN HOLDING OUT ON COMPLIANCE. DEPARTMENT REVIEWING MEASURES AVAILABLE FOR IMPRESSING GOP RE SERIOUSNESS WITH WHICH SITUATION IS VIEWED AT HIGHEST LEVELS OF USG. WE DO NOT WISH TO ENGAGE IN REPRISALS WHICH ARE LIKELY TO INVOLVE FAR WIDER ASPECTS OF OUR RELATIONS, BUT PROBLEM, PARTICULARLY GIVEN INDICATIONS OF COLLUSION BY GOP AGENCY CITED HERE, IS SUCH THAT IT CANNOT AVOID AFFECTING OTHER AREAS, INCLUDING E.G. U.S. ESTIMATES OF PHILIPPINE CREDIT WORTHINESS IN GENERAL.

3. WOULD APPRECIATE EARLIEST POSSIBLE ACCOUNT OF PRESIDENT MARCOS' REACTION ON THIS SUBJECT DURING MEETING WITH AMBASSADOR ANTICIPATED IN MANILA 96. WE ARE CONTEMPLATING CALLING IN AMBASSADOR OR CHARGE HERE TO REINFORCE EMBASSY REPRESENTATIONS, UNLESS YOU BELIEVE THIS UNWISE. WOULD ALSO LIKE TO HAVE ANY FURTHER SUGGESTIONS RE MOST EFFECTIVE MEANS RESOLVING THIS PROBLEM.

4. FYI: WE ARE INFORMED THAT FORMER AMBASSADOR BLAIR IS LIKELY TO UNDERTAKE REPRESENTATION OF COTTON EXPORTERS AND MAY RAISE ISSUE OF CONTRACTS IN MEETING WITH MARCOS LATER THIS MONTH. END FYI. KISSINGER

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